

EXHIBIT 1

INTRODUCTION

Respondent Galen Duane Chamberlain (“Respondent Chamberlain”) was a successful candidate for the Yolo County Board of Supervisors in the November 2004 General Election. Respondent Duane Chamberlain for Supervisor (“Committee”) was Respondent Chamberlain’s controlled committee. Respondent Chamberlain was the treasurer and Shirley Stover acted in the capacity of assistant treasurer for the Committee. This case arose from an audit of Respondents by the Franchise Tax Board (“FTB”) for the reporting period January 1, 2003 through December 31, 2004. During the audit period, Respondents reported receiving contributions totaling \$91,769, and making expenditures totaling \$85,867.

Under the Political Reform Act¹ (the “Act”), Respondents were required to deposit contributions into a single, designated campaign bank account established for Respondent Committee and were prohibited from making cash expenditures of \$100 or more. In this matter, Respondents failed to deposit contributions made by Respondent Chamberlain’s sole proprietorship into Respondent Committee’s single, designated campaign bank account prior to making expenditures and Respondents made two cash expenditures over \$100 each.

For the purposes of this Stipulation, Respondent’s violations of the Act are stated as follows:

COUNT 1: Respondents Galen Duane Chamberlain, Duane Chamberlain for Supervisor, and Shirley Stover failed to deposit contributions made by Respondent Chamberlain from his sole proprietorship, into a single, designated campaign bank account prior to expenditure, in violation of Section 85201, subdivisions (c) and (e) of the Government Code.

COUNT 2: Respondents Galen Duane Chamberlain, Duane Chamberlain for Supervisor, and Shirley Stover made cash expenditures of \$100 or more for campaign-related matters totaling \$2,590, on or about February 17, 2004 and February 18, 2004, in violation of Section 84300, subdivision (b) of the Government Code.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that contributions and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure that requires that all financial information concerning the political activities of

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

candidates and committees be maintained in detailed records and filed in public reports so that voters will know the source of a candidate's support and how the candidate spends money to get elected.

Duty to Deposit Campaign Funds into a Single, Designated Campaign Bank Account Prior to Expenditure

To ensure full disclosure of campaign activity and to guard against improper use of campaign funds, the Act requires campaign funds to be segregated from nonpolitical, personal accounts and kept in a single, designated campaign bank account. (Section 85201.) To achieve this end, Section 85201, subdivision (c) requires candidates to establish a single campaign bank account into which all contributions made to a candidate must be deposited. Subject to certain exceptions that are not applicable to this matter, Section 85201, subdivision (e), requires that all campaign expenditures be made from the campaign bank account.

Prohibition Against Making Cash Expenditures of \$100 or More

Under Section 84300, subdivision (b), no expenditure of one hundred dollars or more may be made in cash. Section 82025 defines expenditure as any "payment, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment, unless it is clear from the surrounding circumstances that it is not made for political purposes." In addition, an "expenditure is made on the date the payment is made or on the date consideration, if any, is received, whichever is earlier." (Section 82025.)

Treasurer Liability

Under Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. Sections 83116.5 and 91006 provide that a committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. A committee's assistant treasurer is also jointly and severally liable for any campaign statements that he or she has signed and verified. (Regulation 18426.1.)

SUMMARY OF THE FACTS

Respondent Galen Duane Chamberlain was a successful candidate for the Yolo County Board of Supervisors in the November 2004 General Election. During the course of running for Yolo County Supervisor, Respondent Chamberlain and Respondent Stover properly handled campaign contributions received from others by depositing them into Respondent Committee's campaign account and making expenditures from that account.

However, campaign expenses totaling \$19,266 were charged to Respondent Chamberlain's personal credit card. Subsequently, the charges were paid directly to the credit card company by Chamberlain Farms checks signed by Respondent Chamberlain. Chamberlain Farms is a sole

proprietorship, wholly owned by Respondent Chamberlain. The contributions from Respondent Chamberlain through Chamberlain Farms paid for approximately 70% of all expenditures of the Committee during the audit reporting period January 1, 2003 through December 31, 2004. As a matter of law, these contributions were to have been deposited in the Committee bank account prior to expenditure by the Committee.

Additionally, the Act prohibits candidates and committees from making cash expenditures of \$100 or more. Campaign expenses totaling \$2,590 were paid in cash and then reported as a loan to Respondent Committee from Respondent Chamberlain on Respondent Committee's first pre-election campaign statement. These expenditures were two cash payments of \$1,295 each to the United States Post Office made on February 17, 2004 and February 18, 2004.

By failing to deposit contributions made by Chamberlain Farms into the single, designated campaign bank account prior to expenditure, Respondents violated Section 85201, subdivisions (c) and (e). Further, by making cash expenditures of \$100 or more, Respondents violated Section 84300, subdivision (b).

CONCLUSION

This matter consists of one count of violating Section 85201, subdivisions (c) and (e) and one count of violating Section 84300, subdivision (b), which carries a maximum administrative penalty of Ten Thousand Dollars (\$10,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the Respondent, upon learning of the violations, voluntarily filed appropriate amendments to provide full disclosure.

The typical stipulated administrative penalty for failing to deposit and expend all campaign funds from a single, designated campaign bank account has been in the mid-to-high end of the penalty range, depending on the circumstances. For Count 1, Respondents' conduct of improperly paying expenditures through contributions from Chamberlain Farms instead of first depositing them into the single, designated campaign bank account is aggravated because the percentage of expenditures that did not go through the campaign bank account was significant. Therefore, a stipulated administrative penalty in the amount of \$3,500 is appropriate for this violation.

For Count 2, regarding the making of cash expenditures of \$100 or more, the administrative penalties have typically reflected the circumstances of each case. Making a cash expenditure of \$100 or more deprives the public of valuable information regarding the financial activities of candidates and committees. However, in this case, the expenditures were reported and the source of the payments was disclosed when the Committee reported the payments made as a loan from

Respondent Chamberlain. Therefore, a stipulated administrative penalty in the amount of \$1,500 is appropriate for this violation.

The facts of this case, including the aggravating and mitigating factors discussed above, justify imposition of the agreed upon penalty of Five Thousand Dollars (\$5,000).